

NSC BRIEFING

DATE 12-28-71 REVIEWED BY \_\_\_\_\_

# REEL IN

- I. West Berlin, threatened by Soviet intention to turn access controls over to East Germans, is extremely vulnerable to economic pressures by Communists.
  - A. Communists could at any time cut essential lifeline to West, bringing great hardships to people who have long forgotten 1948's austere conditions and now accustomed to high living standards.
  - B. About 97 percent of West Berlin's trade is with Free World, primarily West Germany.
    1. Out of total import of 1.6 billion dollars, West Germany supplies 1.4 billion.
    2. Out of total exports of 1.3 billion dollars, West Germany takes 1.1 billion.
  - C. Total West Berlin labor force ~~is~~ averages 880,000, of which 300,000 is in industry.
    1. Fifty percent decline in industrial orders would mean 80-90,000 unemployed added to present normal 100,000 out of work.
  - D. In 20 June 1949 Four Power agreement in Paris, USSR undertook obligation to insure continued traffic between respective occupation zones and Berlin.
    1. Interzonal trade agreements are negotiated and signed each year by technical-level officials of West and East German governments.
    2. Current agreement stipulates that trade will be carried out provided "previous conditions remain unchanged."

West Germans interpret this to mean that they could

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retaliate by stopping trade with East Germans if traffic to Berlin interfered with.

2. West German access to Berlin now passes through GDR control, including customs and some taxes.

II. West Berlin's prosperous circumstances are in sharp contrast to depressed economic conditions in East sector.

- A. While West Berliners enjoy living standards comparable to those in booming Bonn Republic, East Berlin's population must be content with less variety and poorer quality in consumer goods, and frequently shortages in foodstuffs and other essentials.
- B. Both East and West Berlin are primarily industrial centers.
  1. Electrical equipment industry is largest manufacturer in West Berlin, employs about 100,000 people in 238 firms, including such world famous companies as Telefunken and Siemens-Halske.
- C. East Berlin's economy [in contrast] reflects GDR's low productivity and depressed living conditions.
- D. Consumer goods production in West Berlin is currently 36 percent higher than pre-war level (attained again 1955).
  1. Level of consumption in West Berlin is comparable to highest standards in Western Europe.
  2. In 1958 level of consumption for East Berlin wage earners and salaried employees was estimated to be 20-25 percent below comparable West German figures.

III. While East and West Berliners are obviously concerned about situation, despondency and deterioration in morale is as yet far less than could be reasonably expected. But this could be quickly reversed if there were any indication of American withdrawal.

- ~~SECRET~~ *strike*
- A. Berliners reject all plans, including "free city" proposal, if American troops are to be withdrawn.
    - 1. Politicians more flexible on proposals involving all Berlin, providing Western forces remain.
  - B. Most West Berliners, however, now remain calm in belief that if West stands firm Moscow will back down.
    - 1. No serious signs of panic or opinion favoring major concession.
    - 2. Berliners dubious over firmness of British position and irritated by Social Democratic maneuvering with Khrushchev.
  - C. In East Berlin, populace is outwardly sullen and apathetic; this noted in reception given Khrushchev during his speech in Berlin.
    - 1. Berlin crisis does not appear to have unduly alarmed people who expect West to hold firm.
    - 2. If conviction to contrary should spread, restiveness would increase.
    - 3. Unrest current at low level with no serious explosion likely at this time.
      - a. Spontaneous outburst possible, however, which could spread rapidly, though this seems much less likely now than before Hungarian Revolution.